

WSDOT Market Analysis

September 2008

This market analysis is based on a review of published information including the following sources: Asphalt Weekly Monitor (AWM); Associated General Contractors (AGC); Engineering News Record (ENR); the International Energy Agency (IEA); and the Mississippi Business Journal.

- **Asphalt** binder prices reached highs above \$700/ST on the Eastside and \$850/ST on the Westside and are finally decreasing. Prices should continue to decrease throughout the remainder of 2008.

“In Washington State, asphalt prices were in decline. In coastal area markets, selling prices were assessed down \$25-50/ST, between \$500-550/ST for PG 64-22. By week’s end prices were mostly being reported at or near the low end of the range. In eastern Washington, selling prices also headed lower this week. Posted prices for PG 64-22 from a supplier were still \$600/ST at its Spokane and Pasco terminals. Selling prices were assessed \$25-50/ST lower, to between \$575-600/ST for base grade.” AWM, “Vol. 20, No. 46,” Week of November 10-14, 2008. .

- **Concrete** prices are expected to change very little as the industry copes with the weak housing market. High asphalt prices are causing some agencies to pave with concrete rather than asphalt, or even bid jobs for either concrete or asphalt alternatives.

“While the cost of asphalt has spiked, the price of concrete has risen only slightly. The unadjusted PPI for concrete products in July 2008 was 211.5, compared to 211.3 in June. From July 2007 to July 2008, the unadjusted PPI for concrete products increased 0.1%. Concrete has always been, in most cases, pricier compared to asphalt. But that gap has closed, and some projects are opting for concrete, which is more durable and attractive.” Mississippi Business Journal, “Asphalt prices causing sticker shock, new looks at concrete,” September 22, 2008 – Wally Northway.

- **Fuel** prices are, if anything, difficult to predict and prone to wild swings. In July, crude oil prices reached a record of near \$150 dollars per barrel, leaving refiners struggling. By the end of the quarter however, the economy was in a downward spiral and prices for crude and

diesel were declining. Prices should decline further relative to economic conditions in the near term.

“Diesel prices continued their downward slide, falling throughout the U.S. as the average U.S. retail diesel price slipped 6.5 cents to drop below \$4 a gallon for the first time since April 7. In the West Coast, the average price plunged 11.3 cents to 394.3 cents per gallon – falling below \$4 for the first time since March 10.” EIA, “This Week in Petroleum,” September 24, 2008.

- **Steel** prices increased due to tighter global supply and increases in scrap prices. Prices have already increased more in the first nine months of 2008 than they did in 2004 when prices for steel last spiked. These price increases however, should stop when the global economy begins to feel the recession’s effects.

“Steel prices are rising largely because of strong foreign demand for both finished construction steel and iron and steel scrap used to make it. Rebar manufacturers will reportedly raise prices another \$60 per ton on August 1. The Construction Reinforcing Steel Institute estimates that U.S. rebar demand of 9.4 million tons will exceed domestic production of 8 million tons, implying further price increases ahead to match higher overseas prices.” AGC, “The DataDIGest,” July 14-17, 2008.

“The latest steel price shock continues to reverberate through ENR’s 20-city prices. In August, ENR’s average price for channel, wide-flange and I-beams jumped another 4.2%, pushing the average price 20% above a year ago. This compares to a 21% year-to-year increase in August 2004, when construction experienced its last explosion in steel prices. This August’s price increase follows monthly price hikes of 1% in July, 6% in June, 4% in May and 2% in April. Reinforcing bar prices are up 22% over a year ago.” ENR, “Construction Economics,” September 1, 2008.